

'Tis the Season...for Commercial Co-Ventures

Description

We've all seen the ads: "a portion of our sales are donated to charity", "for every dollar you spend here, we will donate to a local food pantry", "for every bag of dog food purchased we will donate to an animal shelter".

This type of advertising is referred to as a "commercial co-venture", although it may take on other names such as social cause marketing, social impact advertising, or charitable sales promotion.

In this unprecedented year charities and nonprofits are looking for alternative methods of fundraising. Teaming up with a for-profit entity can provide tremendous benefits to both the business and the charity – a business could be seen as giving back to the community while increasing its sales, and a charity receives increased exposure to its charitable mission while increasing fundraising. However, if these campaigns are not done properly it could lead to penalties, taxes, and bad publicity for all parties involved.

In general, if a for-profit company advertises that the purchase of a product or a portion of the proceeds will benefit a charity, the advertisement may be subject to a state's commercial co-venture regulations. These regulations range from requiring a business to notify the state about a campaign to requiring a business to register with the state, post a bond, and report the results of the campaign back to the state.

Generally, the for-profit company is required under these regulations to have a contract with the charity before the advertising campaign begins. Some states require both the charity and the for-profit company to register with the state's office of Attorney General.

Compliance with state charitable regulations is not complicated although it could be time consuming. Both for-profit companies and charities should carefully review state requirements as part of any social cause marketing campaign.

Partridge Snow & Hahn's [Charitable & Nonprofit Organizations Blog](#) provides practical legal guidance for charitable and nonprofit organizations. **If you are interested in receiving these updates via email, please submit the form below:**

Date Created

November 25, 2020